BIO REFERENCE LABORATORIES INC
Form 10-Q
September 04, 2014
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# FORM 10-Q

**(Mark One)**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

**For the quarterly period ended July 31, 2014**

**Or**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number 000-15266**

# BIO-REFERENCE LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

| **NEW JERSEY** | **22-2405059** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| **481 Edward H. Ross Drive, Elmwood Park, NJ** | **07407** |
| (Address of principal executive offices) | (Zip Code) |

**(201) 791-2600**

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated file in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated Filer x Non-accelerated Filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of the issuer s common stock, as of the latest practicable date: 27,727,644 shares of Common Stock ($.01 par value) at September 3, 2014.

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**BIO-REFERENCE LABORATORIES, INC.**

**FORM 10-Q**

**July 31, 2014**

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**PART I FINANCIAL INFORMATION**

**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**[Dollars In Thousands Except Share and Per Share Data]**

**ASSETS**

| | July 31, 2014 (Unaudited) | October 31, 2013 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | $ 20,007 | $ 17,952 |
| Accounts Receivable - Net | 251,851 | 206,261 |
| Inventory | 19,555 | 19,095 |
| Other Current Assets | 9,570 | 9,416 |
| Deferred Tax Assets | 36,678 | 42,154 |
| TOTAL CURRENT ASSETS | 337,661 | 294,878 |
| PROPERTY AND EQUIPMENT - AT COST | 150,025 | 133,599 |
| LESS: Accumulated Depreciation | (84,185) | (67,950) |
| PROPERTY AND EQUIPMENT - NET | 65,840 | 65,649 |
| OTHER ASSETS: | | |
| Investments in Unconsolidated Affiliate | 5,241 | 5,237 |
| Deposits | 1,056 | 1,017 |
| Goodwill - Net | 35,185 | 35,185 |
| Intangible Assets - Net | 14,882 | 16,320 |
| Other Assets | 1,365 | 1,165 |
| Deferred Tax Asset | 4,892 | 2,077 |
| TOTAL OTHER ASSETS | 62,621 | 61,001 |
| TOTAL ASSETS | $ 466,122 | $ 421,528 |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**[Dollars In Thousands Except Share and Per Share Data]**

**LIABILITIES AND SHAREHOLDERS EQUITY**

| | July 31, 2014 (Unaudited) | October 31, 2013 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts Payable | $ 69,292 | $ 61,614 |
| Accrued Salaries and Commissions Payable | 18,327 | 19,601 |
| Accrued Taxes and Expenses | 15,577 | 18,292 |
| Other Short Term Acquisition Payable | 1,897 | 2,438 |
| Revolving Note Payable - Bank | 38,731 | 26,139 |
| Current Maturities of Long-Term Debt | 517 | 493 |
| Capital Lease Obligations - Short-Term Portion | 5,884 | 5,185 |
| TOTAL CURRENT LIABILITIES | 150,225 | 133,762 |
| | | |
| LONG-TERM LIABILITIES | | |
| Capital Lease Obligations - Long-Term Portion | 11,997 | 10,712 |
| Long - Term Debt Net of Current Portion | 3,279 | 3,670 |
| Long Term Acquisition Payable | 0 | 1,789 |
| TOTAL LONG-TERM LIABILITIES | 15,276 | 16,171 |
| | | |
| SHAREHOLDERS EQUITY | | |
| Preferred Stock $.10 Par Value; | | |
| Authorized 1,666,667 shares, including 3,000 shares of Series A Junior Preferred Stock None Issued | 0 | 0 |
| Common Stock, $.01 Par Value; Authorized 35,000,000 shares: | | |
| Issued and Outstanding 27,727,644 and 27,683,213 at July 31, 2014 and at October 31, 2013, respectively | 277 | 277 |
| | | |
| Additional Paid-In Capital | 39,979 | 39,430 |
| Retained Earnings | 260,365 | 231,888 |
| | | |
| TOTAL SHAREHOLDERS EQUITY | 300,621 | 271,595 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | $ 466,122 | $ 421,528 |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**[Dollars In Thousands Except Share and Per Share Data]**

**[UNAUDITED]**

| | Three months ended July 31, | | Nine months ended July 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| NET REVENUES: | $ 222,053 | $ 185,427 | $ 604,688 | $ 523,136 |
| COST OF SERVICES: | | | | |
| Depreciation and Amortization | 5,305 | 3,981 | 14,539 | 11,296 |
| Employee Related Expenses | 52,856 | 43,397 | 153,532 | 125,280 |
| Reagents and Laboratory Supplies | 40,743 | 33,943 | 116,326 | 99,421 |
| Other Cost of Services | 20,706 | 18,446 | 57,145 | 49,881 |
| TOTAL COST OF SERVICES | 119,610 | 99,767 | 341,542 | 285,878 |
| GROSS PROFIT ON REVENUES | 102,443 | 85,660 | 263,146 | 237,258 |
| GENERAL AND ADMINISTRATIVE EXPENSES: | | | | |
| Depreciation and Amortization | 1,416 | 1,022 | 4,116 | 2,913 |
| General and Administrative Expenses | 54,282 | 43,987 | 154,860 | 129,441 |
| Bad Debt Expense | 18,874 | 15,592 | 51,540 | 43,377 |
| TOTAL GENERAL AND ADMINISTRATIVE EXPENSES | 74,572 | 60,601 | 210,516 | 175,731 |
| INCOME FROM OPERATIONS | 27,871 | 25,059 | 52,630 | 61,527 |
| OTHER (INCOME) EXPENSE: | | | | |
| Interest Expense | 625 | 350 | 1,830 | 1,077 |
| Interest Income | (22) | 0 | (48) | (822) |
| Other (Income) Expense | (90) | (1,046) | (4) | (52) |
| TOTAL OTHER (INCOME) EXPENSES - NET | 513 | (696) | 1,778 | 203 |
| INCOME BEFORE INCOME TAXES | 27,358 | 25,755 | 50,852 | 61,324 |
| Provision for Income Taxes | 12,108 | 11,054 | 22,375 | 26,620 |
| NET INCOME | $ 15,250 | $ 14,701 | $ 28,477 | $ 34,704 |
| NET INCOME PER COMMON SHARE - BASIC: | $ 0.55 | $ 0.53 | $ 1.03 | $ 1.25 |
| WEIGHTED AVERAGE NUMBER OF SHARES - BASIC: | 27,721,977 | 27,671,880 | 27,716,608 | 27,695,387 |
| NET INCOME PER COMMON SHARE - DILUTED: | $ 0.55 | $ 0.53 | $ 1.02 | $ 1.25 |

| | | | | |
|---|---|---|---|---|
| WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED: | 27,864,489 | 27,841,998 | 27,854,089 | 27,861,372 |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**[Dollars In Thousands Except Share and Per Share Data]**

**[UNAUDITED]**

| | Nine months ended July 31 | |
|---|---|---|
| | **2014** | **2013** |
| OPERATING ACTIVITIES: | | |
| Net Income | $ 28,477 | $ 34,704 |
| Adjustments to Reconcile Net Income to Cash Provided by (Used for) Operating Activities: | | |
| Depreciation and Amortization | 18,655 | 14,209 |
| Deferred Income Tax (Benefit) Expense | 2,661 | (4,991) |
| Stock Based Compensation | 290 | 290 |
| (Gain) Loss on Disposal of Fixed Assets | 180 | 301 |
| Undistributed Equity Method (Income) Loss | (4) | 240 |
| Change in Assets and Liabilities, (Increase) Decrease in: | | |
| Accounts Receivable | (32,618) | (47,704) |
| Provision for Doubtful Accounts | (12,972) | 9,153 |
| Inventory | (460) | (1,963) |
| Other Current Assets | (154) | (1,592) |
| Other Assets | (200) | (249) |
| Deposits | (39) | (69) |
| Increase (Decrease) in: | | |
| Accounts Payable and Accrued Liabilities | 3,689 | 14,646 |
| NET CASH - OPERATING ACTIVITIES | 7,505 | 16,975 |
| INVESTING ACTIVITIES: | | |
| Acquisition of Equipment and Leasehold Improvements | (11,066) | (17,616) |
| Business Acquisitions and Related Costs | (2,330) | (6,947) |
| NET CASH - INVESTING ACTIVITIES | (13,396) | (24,563) |
| FINANCING ACTIVITIES: | | |
| Payments of Long-Term Debt | (367) | (345) |
| Payments of Capital Lease Obligations | (4,538) | (3,375) |
| Increase (Decrease) in Revolving Line of Credit | 12,592 | 16,576 |
| Common Stock Repurchase | 0 | (2,030) |
| Proceeds from Exercise of Options | 259 | 186 |
| NET CASH - FINANCING ACTIVITIES | 7,946 | 11,012 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,055 | 3,424 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS | 17,952 | 25,143 |

| | | | | |
|---|---|---|---|---|
| CASH AND CASH EQUIVALENTS AT END OF PERIODS | $ | 20,007 | $ | 28,567 |
| | | | | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | | | |
| Cash paid during the period for: | | | | |
| Interest | $ | 1,864 | $ | 1,010 |
| Income Taxes | $ | 23,954 | $ | 29,387 |

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

[Dollars In Thousands]

[UNAUDITED]

During the nine-month periods ended July 31, 2014 and July 31, 2013, the Company entered into capital leases totaling $6,522 and $3,700 respectively.

During the nine-month periods ended July 31, 2014 and July 31, 2013, the Company wrote-off approximately $1,162 and $3,067 of property and equipment, most of which were fully depreciated.

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**BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**[Dollars In Thousands Except Share and Per Share Data, Or Unless Otherwise Noted]**

**(UNAUDITED)**

**[1] Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for complete audited financial statements. However, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial position and operating results have been included in these statements. Interim results are not necessarily indicative of results for a full year. Reference is made to the October 31, 2013 audited consolidated financial statements of Bio-Reference Laboratories, Inc.( BRLI or the Company ) contained in its Annual Report on Form 10-K for the year ended October 31, 2013.

The consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes for the year ended October 31, 2013 as filed with the Securities and Exchange Commission in the Company s Annual Report on Form 10-K. Significant accounting policies followed by the Company are set forth in Note 2 to the Company s 2013 Annual Report on Form 10-K.

**[2] Fair Value Measurements**

As of July 31, 2014, the Company s financial instruments primarily consist of cash, cash equivalents, short-term trade receivables and payables for which their carrying amounts approximate fair values, and long term debt, for which based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, its carrying amount approximates its fair value.

**[3] New Accounting Pronouncements**

In May the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2014-09 titled Revenues from Contracts with Customers. The update calls for a number of revisions in the revenue recognition rules. The update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. At this time the company is studying this update and has not yet determined the effect this may have on our consolidated financial statements.

**[4] Revenue Recognition and Contractual Adjustments**

Service revenues are principally generated from laboratory testing services including chemical diagnostic tests such as blood analysis, urine analysis and genetic testing among others. Service revenues are recognized at the time the testing services are performed and are reported at their estimated net realizable amounts.

Service revenues before provision for bad debts are determined utilizing gross service revenues net of contractual adjustments and discounts. Even though it is the responsibility of the patient to pay for laboratory service bills, most individuals in the United States have an agreement with a third party payor such as Medicare, Medicaid or a commercial insurance provider to pay all or a portion of their healthcare expenses; the majority of services provided by BRLI are to patients covered under a third party payor contract. In certain cases, the individual has no insurance or does not provide insurance information and in other cases tests are performed under contract to a professional organization (such as physicians, hospitals, and clinics) which reimburse BRLI directly; in the remainder of the cases, BRLI is provided the third party billing information and seeks payment from the third party under the terms and conditions of the third party payor for health service providers like BRLI. Each of these third party payors may differ not only with regard to rates, but also with regard to terms and conditions of payment and providing coverage (reimbursement) for specific tests. Estimated revenues are established based on a series of highly complex procedures and judgments that require industry specific healthcare experience and an understanding of payor methods and trends. We review our calculations on a monthly basis in order to make certain that we are properly allowing for the uncollectable portion of our gross billings due to the contractual adjustments and discounts and that our estimates remain sensitive to variances and changes within our payor groups. The contractual allowance calculation is made on the basis of historical allowance rates for the various specific payor groups on a monthly basis with a greater weight being given to the most recent trends; this process is adjusted based on recent changes in underlying contract provisions and shifts in the testing being performed. This calculation is routinely analyzed by BRLI on the basis of actual allowances issued by payors and the actual payments made to determine what adjustments, if any, are needed. The table below shows the adjustments made to gross service revenues to arrive at net revenues, the amount reported on our statement of operations.

| | ($) | | | |
|---|---|---|---|---|
| | Three Months Ended July 31, [Unaudited] | | Nine Months Ended July 31, [Unaudited] | |
| | 2014 | 2013 | 2014 | 2013 |
| Gross Service Revenues | 1,100,880 | 905,713 | 3,028,379 | 2,565,929 |
| | | | | |
| Contractual Adjustments and Discounts: | | | | |
| Medicare/Medicaid Portion | 100,630 | 91,173 | 284,069 | 259,433 |
| All Other Third Party Payors* | 762,958 | 612,769 | 2,093,337 | 1,740,265 |
| Total Contractual Adjustments and Discounts | 863,588 | 703,942 | 2,377,406 | 1,999,698 |
| Service Revenues Net of Contractual Adjustments and Discounts | 237,292 | 201,771 | 650,973 | 566,231 |
| Patient Service Revenue Provision for Bad Debts** | 15,239 | 16,344 | 46,285 | 43,095 |
| Net Revenues | 222,053 | 185,427 | 604,688 | 523,136 |

* All Other Third Party and Direct Payors consists of almost eight hundred distinct payors, including commercial health insurers and administrators as well as professionally billed accounts such as physicians, hospitals, clinics and other direct billed accounts.

** Represents the amount of Bad Debt Expense that is required to be presented as a deduction from patient service revenue (net of contractual allowances and discounts) pursuant to ASU No. 2011-7.

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When new business is received by BRLI, service revenues net of contractual adjustments and discounts are calculated by reducing gross service revenues by the estimated contractual allowance. The Patient Service Revenue Provision for Bad Debts represents the amount of bad debt expense expected to occur on patient service revenue based upon our experience. The remaining bad debt expense is presented as part of operating expenses. The bad debt expense presented as part of operating expense represents the bad debt expense related to receivables from service revenues determined after taking into account our ability to collect on such revenue.

BRLI recognized the amounts in subsequent periods for actual allowances/discounts to gross service revenue; bad debt may have been adjusted over the same periods of time to maintain an accurate balance between net revenues and actual revenues. Management has reviewed the allowances/discounts recognized in subsequent periods and believes the amounts to be immaterial. A number of proposals for legislation or regulation continue to be under discussion which could have the effect of substantially reducing Medicare reimbursements for clinical laboratories or introducing cost sharing to beneficiaries. Depending upon the nature of regulatory action, if any, which is taken and the content of legislation, if any, which is adopted, the Company could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on the Company. The Company is unable to predict, however, the extent to which such actions will be taken.

**[5] Accounts Receivable Allowances**

It is typically the responsibility of the patient to pay for laboratory service bills. Most individuals in the United States have an agreement with a third party payor such as Medicare, Medicaid or commercial insurance to pay all or a portion of their healthcare expenses; this represents the major portion of payment for all services provided by BRLI. In certain cases, the individual has no insurance or does not provide insurance information; in the remainder of the cases, BRLI is provided the third party billing information, usually by the referring physician, and seeks payment from the third party under the terms and conditions of the third party payor for health service providers like BRLI. Each of these third party payors may differ not only with regard to rates, but also with regard to terms and conditions of payment and coverage of specific tests. BRLI routinely reviews the reimbursement policies and subsequent payments and collection rates from these different types of payors. Contractual adjustments and discounts are recorded as reductions to gross service revenues and are collectively referred to as the contractual allowance. BRLI has not been required to record an adjustment in a subsequent period related to revenue recorded in a prior period which was material in nature. Aging of accounts receivable is monitored by billing personnel and follow-up activities including collection efforts are conducted as necessary. BRLI writes off receivables against the allowance for doubtful accounts when they are deemed uncollectible. For client billing, accounts are written off when all reasonable collection efforts prove to be unsuccessful. Patient accounts, where the patient is directly responsible for all or a remainder portion of the account after partial payment or denial by a third party payor, are written off after the normal dunning cycle has occurred, although these may be subsequently transferred to a third party collection agency after being written off. Third party payor accounts are written off when they exceed the payer s timely filing limits. Accounts Receivable on the balance sheet is net of the following amounts for contractual credits and doubtful accounts:

| | ($) | |
|---|---|---|
| | [Unaudited] July 31, 2014 | October 31, 2013 |
| Contractual Credits/Discounts | 485,840 | 342,297 |
| Doubtful Accounts | 76,289 | 89,261 |
| Total Allowance | 562,129 | 431,558 |

**[6] Intangible Assets**

The following disclosures present certain information on the Company s intangible assets as of July 31, 2014 (Unaudited) and October 31, 2013. All intangible assets are being amortized over their estimated useful lives, as indicated below, with no estimated residual value.

July 31, 2014

| Intangible Asset | Weighted-Average Amortization Period Years | Cost ($) | Accumulated Amortization ($) | Net of Accumulated Amortization ($) |
|---|---|---|---|---|
| Customer Lists | 20 | 8,738 | 3,176 | 5,562 |
| Covenants Not-to-Compete | 5 | 11,131 | 5,443 | 5,688 |
| Patents and Licenses | 17 | 5,297 | 1,665 | 3,632 |
| Totals | | 25,166 | 10,284 | 14,882 |

October 31, 2013

| Intangible Asset | Weighted-Average Amortization Period Years | Cost ($) | Accumulated Amortization ($) | Net of Accumulated Amortization ($) |
|---|---|---|---|---|
| Customer Lists | 20 | 8,738 | 2,878 | 5,860 |
| Covenants Not-to-Compete | 5 | 11,131 | 4,560 | 6,571 |
| Patents and Licenses | 17 | 5,297 | 1,408 | 3,889 |
| Totals | | 25,166 | 8,846 | 16,320 |

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The aggregate intangible amortization expense for the three months ended July 31, 2014 and 2013 was $479 and $230, respectively. The aggregate intangible amortization expense for the nine months ended July 31, 2014 and 2013 was $1,438 and $597, respectively. The estimated intangible asset amortization expense for the remainder of fiscal year ending October 31, 2014 and for the four subsequent years is as follows:

| October 31, | ($) |
|---|---|
| 2014 | 491 |
| 2015 | 1,852 |
| 2016 | 1,540 |
| 2017 | 1,063 |
| 2018 | 946 |
| Thereafter | 8,990 |
| | |
| **Total** | 14,882 |

**[7] Revolving Note Payable - Bank**

On February 3, 2014, the Company entered into an amended revolving note payable loan agreement with PNC Bank, N.A. ( PNC Bank Credit Line ). This amendment increased the maximum credit line to $70,000. The maximum amount of the credit line available to the Company pursuant to the loan agreement is the lesser of (i) $70,000 or (ii) 50% of the Company s qualified accounts receivable, as defined in the agreement. The amendment to the Loan and Security Agreement provides for an interest rate on advances to be subject, at the election of the Company, to either the bank s base rate or the Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charge on bank s base rate borrowings and on Eurodollar rate borrowings ranges from 1% to 4% and is determined based upon certain financial ratios achieved by the Company. At July 31, 2014, the Company elected to have all of the total advances outstanding to be subject to the bank s base rate of interest of 3.50%. The credit line is collateralized by substantially all of the Company s assets. The line of credit is available through October 2016 and may be extended for annual periods by mutual consent, thereafter. The terms of this agreement contain, among other provisions, requirements for maintaining defined levels of capital expenditures and fixed charge coverage, and the prohibition of the payment of cash dividends by the Company. As of July 31, 2014, the Company utilized $38,731 of the available credit under this revolving note payable loan agreement.

**[8] Long-Term Debt - Bank**

In December 2010, the Company issued a seven-year term note for $5,408 at the rate of interest of 6.12% per annum for the financing of new equipment. The note is payable in 84 equal monthly installments commencing on January 29, 2011 of $61 including principal and interest followed by a balloon payment of the principal and interest outstanding on the loan repayment date of December 29, 2017. The balance on this note as of July 31, 2014 is approximately $3,796.

**[9] Provision for Income Taxes**

The provision for income taxes for the three-months ended July 31, 2014 consists of a current tax provision of $15,424 and a deferred tax benefit of $3,316. The provision for income taxes for the nine-months ended July 31, 2014 consists of a current tax provision of $19,714 and a deferred

tax provision of $2,661.

The provision for income taxes for the three-months ended July 31, 2013 consists of a current tax provision of $13,009 and a deferred tax benefit of $1,995. The provision for income taxes for the nine-months ended July 31, 2013 consists of a current tax provision of $31,611 and a deferred tax benefit of $4,991.

On July31, 2014, the Company had a current deferred tax asset of $36,678 and a long-term deferred tax asset of $4,892 included in other assets. On July 31, 2013, the Company had a current deferred tax asset of $29,188 and a long-term deferred tax asset of $2,993 included in other assets.

**Forward-Looking Statements**

Statements included in this Quarterly Report on Form 10-Q (Quarterly Report) that are not historical in nature, are intended to be, and are hereby identified as forward-looking statements . Forward-looking statements may be identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, will or words of similar meaning and include, but are not limited to, statements about the expected future business ar financial performance of Bio-Reference Laboratories, Inc. and its subsidiaries. Such statements concern matters that involve known and unknown risks and uncertainties that may cause the Company s actual results in future periods, performance or achievements, or industry results, to be materially different from any future results, performance or achievements described, implied or suggested herein. Although we believe our expectations are based upon reasonable assumptions, there can be no assurance that our financial goals will be realized.

Factors could cause actual results, performance or achievement to differ materially from those expressed or implied from these forward-looking statements include, but are not limited to, the factors discussed under Risk Factors as well as elsewhere herein, which may include:

Loss or suspension of a license or imposition of a fine or penalties under, or future changes in, the law or regulations of CLIA, or those of state laboratory licensing laws;

Failure to comply with HIPAA, which could negatively impact profitability and cash flows;

FDA regulation of Laboratory Developed Tests and clinical laboratories;

Failure to comply with federal and state anti-kickback laws;

Failure to maintain the security of patient-related information;

Failure to comply with the Federal Occupational Safety and Health Administration requirements and Needlestick Safety and Prevention Act;

Failure to comply with federal and state laws and regulations related to submission of claims for our services;

Changes in regulation and policies, including increasing downward pressure on health care reimbursement;

Changing relationships with payers, including the various state and multi-state Blues programs, suppliers and strategic partners; Efforts by third-party payors to reduce utilization and reimbursement for clinical testing services;

Failure to timely or accurately bill for our services;

Failure to integrate newly acquired businesses and the costs related to such integration;

Increased competition, including price competition;

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Ability to attract and retain experienced and qualified personnel;

Failure to obtain and retain new clients and business partners, or a reduction in tests ordered or specimens submitted by existing clients;

Adverse litigation results; and

Failure to establish, and perform to, appropriate quality standards to assure that the highest level of quality is observed in the performance of our testing services.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this filing. We assume no obligation to update the forward-looking statements to reflect actual results or changes in the factors affecting such forward-looking statements.

**Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**[Dollars In Thousands Except Per Share Data, Total Patient Data Or Unless Otherwise Noted]**

**Overview**

We are a national clinical diagnostic laboratory located in northeastern New Jersey. We are a national laboratory in certain focused areas of laboratory testing and a full service laboratory in the New York super-region. We have developed a national reputation for our expertise in certain focused areas of clinical testing. GenPath Oncology, the name by which we are known for our cancer and oncology services, is recognized for the superior hematopathology services it provides throughout the country. Our Women s Health initiative, through which we provide dedicated services for obstetrics and gynecology practices, including a technically advanced multiplex process for identifying sexually transmitted infections, is offered as GenPath Women s Health. Our regional footprint lies within the New York City metropolitan area and the surrounding areas of New Jersey and southern New York State as well as eastern Pennsylvania and some areas of western Connecticut; we also provide services further into New York State, Pennsylvania, Delaware and Maryland. As a regional provider, we are a full-service laboratory that primarily services physician office practices; our drivers pick up samples and deliver reports and supplies, we provide sophisticated technical support, phlebotomy services or patient service centers where appropriate, and electronic communication services in many cases. Physicians outside of our regional footprint send samples to our laboratory in order to take advantage of the expertise that we are able to provide in blood-based cancer pathology and associated diagnostics or to take advantage of the superior service, support and technologically advanced testing we offer in our Women s Health initiative. These accounts frequently send routine testing to us for processing along with specialized testing in order to simplify their diagnostic ordering and review procedures and to take advantage of our outstanding capability, service and support. Our correctional healthcare services are used throughout the country at prisons and jails. The focused markets we serve on a national basis outside of our regional footprint do not require many of the logistical and other ancillary support services required within the region. Even within our regional footprint, we provide the same services that we provide on a national basis as well as some regional focused diagnostic services, such as histology and pathology support services, substance abuse testing, fertility testing, hemostasis testing, women s health testing,

and molecular diagnostics that are unavailable from many of the smaller regional competitors; testing in some of these areas may be provided outside of physician offices. In October 2012, we launched Laboratorio Buena Salud, the first national testing laboratory dedicated to serving Spanish-speaking populations in the United States. All business is conducted in Spanish, including patient and physician interactions.

Over the last few years, there have been fundamental changes in the laboratory services industry. In the 1990s, the industry was negatively impacted by the growth of managed care, increased government regulation, and investigations into fraud and abuse. These factors led to revenue and profit declines and industry consolidations, especially among commercial laboratories. There are currently only three US publicly traded full service laboratories operating primarily in the U.S. While that means that the two national mega-laboratories and Bio-Reference Laboratories are the only remaining publicly traded full service commercial laboratories, there are numerous hospital outreach programs and smaller reference laboratories that compete for the commercial clinical laboratory business scattered throughout the country. Clinical laboratories have had to improve efficiency, leverage economies of scale, comply with government regulations and other laws and develop more profitable approaches to pricing. Moreover, there has been a proliferation of technology advancements in clinical diagnostics over the last decade that has created significant opportunities for new testing and growth.

As a full service clinical laboratory, we are constantly looking for new technologies and new methodologies that will help us to grow. Since the turn of the century, our size alone has made us attractive to companies that are driving the advances in technology. We represent a significant opportunity for these companies to market their products with a nationally recognized specialty provider in our focused areas of specialty or in one of the major population centers of the world the New York Metropolitan area. We have had several successful strategic relationships with such technology opportunities. In addition to new technology opportunities, we have an extremely seasoned and talented management staff that has been able to identify emerging laboratory markets that are under-served or under-utilized. We have recently developed programs for cardiology, histology and women s health to go along with our existing hemostasis, hematopathology and correctional healthcare initiatives which have already been established and in which we have been increasing our market share for the past several years. We offer a comprehensive pre-natal program to leverage our presence in the women s health environment and we will continue to vigilantly seek focused diagnostic marketing opportunities where we can provide information, technology, service or support that expand and grow our clinical laboratory.

While we recognize that we are a clinical laboratory that processes samples, we also understand that we are an information company that needs to effectively communicate the results of our efforts back to healthcare providers. Laboratory results play a major role in the implementation of physician healthcare. Laboratory results are used to diagnose, monitor and classify health concerns. In many cases, laboratory results represent the confirming data in diagnosing complicated health issues. Since laboratory results play such an important role in routine physician care, we have developed informatics solutions that leverage our role in healthcare. We built a web-based solution to quickly, accurately, conveniently and competitively collect ordering information and deliver results. That solution is called CareEvolve. CareEvolve has been essential to our own operations. We license the technology to other laboratories throughout the country that they utilize to more effectively compete against the national laboratories. These other laboratories licensing our technology are typically not our competitors since they are outside our regional footprint.

We have also created our PSIMedica business unit that has developed a Clinical Knowledge Management (CKM) System that takes data from enrollment, claims, pharmacy, laboratory results and any other available electronic source to provide both administrative and clinical analysis of a population. The system uses proprietary algorithms to cleanse and configure the data and transfer the resulting information into a healthcare data repository. Using advanced cube technology methodologies, the data can be analyzed from a myriad of views and from highly granular transactional detail to global trended overview. Events such as the Hurricane Katrina in Louisiana and general pressures from the government have made development of an electronic medical record system and Pay-for Performance reimbursement priority goals in the healthcare industry. A large portion of an individual s medical record consists of laboratory data and a key performance indicator in any Pay-for-Performance initiative is laboratory result data. Our CKM system is a mature, full functioning solution that will allow us to play a role in these important national initiatives.

To date, neither our PSIMedica business unit nor CareEvolve has produced significant revenues relative to the primary laboratory operations.

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**Third Quarter Fiscal 2014 Compared to Third Quarter Fiscal 2013**

NET REVENUES:

Net revenues for the three-month period ended July 31, 2014 were $222,053 as compared to $185,427 for the three-month period ended July 31, 2013. This represents a 20% increase in net revenues. This increase is due to a 16% increase in patient counts and anincrease in revenue per patient of 3%. The number of patients serviced during the three-month period ended July 31, 2014 was 2,511, which was 16% greater when compared to the prior fiscal year s corresponding three-month period. This increase in patient counts is mainly due to the overall success of all our lines of business. Net revenue per patient for the three-month period ended July 31, 2014 was $87.54 compared to net revenue per patient of $85.25 for the three-month period ended July 31, 2013, anincrease of 3%.

Our revenues and patient counts could be adversely affected by a number of factors, including, but not limited, to an extended economic downturn in general or healthcare economic conditions, an unexpected reduction in reimbursement rates, increased market penetration by our competitors or a substantial adverse change in federal regulatory requirements governing our industry as well as a failure to continue the sizeable annual percentage increase in base business.

COST OF SERVICES:

Cost of services increased from $99,767 for the three-month period ended July 31, 2013 to $119,610 for the three-month period ended July 31, 2014, an increase of 20%. This increase is in line with the increase in net revenues.

GROSS PROFITS:

Gross profits increased from $85,660 for the three-month period ended July 31, 2013 to $102,443 for the three-month period ended July 31, 2014, an increase of 20%. This is in line with the increase to the net revenues. Gross profit margin remained unchanged at 46%.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three-month period ending July 31, 2013 were $60,601 as compared to $74,572 for the quarter ended July 31, 2014, an increase of 23%. This increase is slightly more than the increase in our net revenues as the result of additional expenses incurred as the result of integrating operations of recently acquired businesses in Florida and California.

INTEREST EXPENSE:

Interest expense increased to $625 during the three-month period ending July 31, 2014 from $350 during the three-month period ended July 31, 2013. This increase is due to an increase in the utilization of our PNC Bank s credit line.

NET INCOME:

We realized net income of $15,250 for the three-month period ended July 31, 2014, as compared to $14,701 for the three-month period ended July 31, 2013, anincrease of 4%. Pre-tax income for the period ended July 31, 2013 was $25,755, compared to $27,358 for the three-month period ended July 31, 2014, anincrease of 6%.The provision for income taxes increased to $12,108 for the three-month period ended July 31, 2014 from $11,054 for the period ended July 31, 2013.

**Nine Months 2014 Compared to Nine Months 2013**

NET REVENUES:

Net revenues for the nine-month period ended July 31, 2014 were $604,688 as compared to $523,136 for the nine-month period ended July 31, 2013. This represents a 16% increase in net revenues. This increase is due to a 14% increase in patient counts and an increase in revenue per patient of 1%. The number of patients serviced during the nine-month period ended July 31, 2014 was 7,081, which was 14% greater when compared to the prior fiscal year s corresponding nine-month period. This increase in patient counts is mainly due to the overall success of all our lines of business. Net revenue per patient for the nine-month period ended July 31, 2013 was $83.83 compared to net revenue per patient for the nine-month period ended July 31, 2014 of $84.43, anincrease of 1%.

Our revenues and patient counts could be adversely affected by a number of factors, including, but not limited, to an extended economic downturn in general or healthcare economic conditions, an unexpected reduction in reimbursement rates, increased market penetration by our competitors or a substantial adverse change in federal regulatory requirements governing our industry as well as a failure to continue the sizeable annual percentage increase in base business.

COST OF SERVICES:

Cost of services increased to $341,542 for the nine-month period ended July 31, 2014 from $285,878 for the nine-month period ended July 31, 2013. This represents a 19% increase in direct operating costs. This increase is 3% greater than the increase in net revenues. This is mainly due to additional costs incurred as the result of integrating operations of our recently acquired businesses in Florida and California.

GROSS PROFITS:

Gross profits on net revenues increased to $263,146 for the nine-month period ended July 31, 2014 from $237,258 for the nine-month period ended July 31, 2013. Gross profit margins were 44% for the nine-month period ended July 31, 2014 compared to 45% in the corresponding nine-month period ended July 31, 2013. This decrease of is largely attributable to temporary increase in direct costs related to ourrecently acquired operations in Florida and California.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the nine-month period ended July 31, 2014 were $210,516 as compared to $175,731 for the nine-month period ended July 31, 2013. This represents an increase of 20%. This increase is 4% more than the increase in net revenues as the result of additional expenses incurred as the result of integrating operations of our recently acquired businesses in Florida and California.

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INTEREST EXPENSE:

Interest expense increased to $1,830 during the nine-month period ending July 31, 2014 as compared to $1,077 during the nine-month period ending July 31, 2013, an increase of $753. This increase is due to an increase in the utilization of our PNC Bank credit line.

NET INCOME:

We realized net income of $28,477 for the nine-month period ended July 31, 2014 as compared to $34,704 for the nine-month period ended July 31, 2013, a decrease of 18%. Our operating income decreased by 14% for the nine-month period ended July 31, 2014 as compared to the nine-month period ended July 31, 2013. Pre-tax income for the nine-month period ended July 31, 2014 was $50,852 as compared to $61,324 for the period ended July 31, 2013, a decrease of 17%. As indicated previously, this substantial decrease in pre-tax income is the result of several factors such as substantial additional integration costs related to our recent acquisitions in Florida and California, changing reimbursement landscape. The provision for income taxes decreased from $26,620 for the period ended July 31, 2013, to $22,375 for the current nine-month period; a decrease of 16%.

LIQUIDITY AND CAPITAL RESOURCES:

Our working capital at July 31, 2014 was $187,436 as compared to $161,116 at October 31, 2013, an increase of 16%. Our cash position increased by $2,055 during the current period. We increased our short-term debt by $24 and repaid $391 in existing debt. We had current liabilities of $150,225 at July 31, 2014. We generated $7,505 in cash from operations, compared to generating $16,975 for the nine-month period ended July 31, 2013, an overall decrease of $9,470 in cash generated from operations year over year. The decrease is attributable to a slower collection rate compared to sales growth rate, happening as the result of changing reimbursement landscape. We believe this is the latest trend.

Accounts receivable, net of allowance for doubtful accounts, totaled $251,851 at July 31, 2014, an increase of $45,590 or 22% from October 31, 2013. Cash collected during the three-month period ended July 31, 2014 increased 27% over the comparable prior year three-month period.

Credit risk with respect to accounts receivable is generally diversified due to the large number of patients and payers comprising our client base. We have significant receivable balances with government payors and various insurance carriers. Generally, we do not require collateral or other security to support customer receivables. However, we continually monitor and evaluate our client acceptance and collection procedures to minimize potential credit risks associated with our accounts receivable and establish an allowance for uncollectible accounts. As a consequence, we believe that our accounts receivable credit risk exposure beyond such allowance is not material.

A number of proposals for legislation continue to be under discussion that could substantially reduce Medicare and Medicaid reimbursements to clinical laboratories. Depending upon the nature of any regulatory action, and the content of legislation, we could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on us. We are unable to predict, however, the extent of which such actions will be taken if at all.

Billing for laboratory services is complicated and we must bill various payors, such as the individual, the insurance company, the government (federal or state), the private company or the health clinic. Other factors that may complicate billing include:

Differences between fee schedules and actual reimbursement rates.

Incomplete or inaccurate billing information provided by physicians or clinics.

Disparity in coverage and information requirements.

Disputes with payors.

Internal and external compliance policies and procedures.

Significant costs are incurred as a result of our participation in government programs since billing and reimbursement for laboratory tests are subject to complex regulations. We perform the requested tests and report the results whether the billing information is correct or not or even missing. This adds to the complexity and slows the collection process and increases the aging of our accounts receivable ( A/R ). When patient invoices are not collected in a timely manner, the item is written off to the allowance. Days Sales Outstanding ( DSO ) for the period ended July 31, 2014 was 105 days, an increase of 10 days, or about 11%, from the 95 days that we reported for the period ended July 31, 2013, computed under the new method taking into account the change in presentation for patient service revenue provision for bad debts. Depending on the period in question, our actual collections represent between 98% and 102% of our net collectable revenues after giving effect to our DSO lag.

See Notes to our consolidated financial statements for the information on our short and long term debt.

We intend to expand our laboratory operations organically through marketing while also diversifying into related medical fields through acquisitions. These acquisitions may involve cash, notes, common stock and/or combinations thereof.

Tabular Disclosure of Contractual Obligations

| | Next Four Years and Thereafter ($) | FY 2014 ($) |
|---|---|---|
| Long-Term Debt | 3,677 | 486 |
| Capital Leases | 11,224 | 5,622 |
| Operating Leases | 5,832 | 9,015 |
| Purchase Obligations | 33,051 | 12,505 |
| Long-Term Liabilities under Employment and Consultant Contracts | 11,691 | 5,169 |

Our cash balance at July 31, 2014 totaled $20,007 as compared to $17,952 at October 31, 2013. We believe that our cash position, the anticipated cash generated from future operations and the availability of our credit line with PNC Bank will meet our anticipated cash needs for the next 12 months.

Impact of Inflation

To date, inflation has not had a material effect on our operations.

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Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods.

Accounting for Intangible and Other Long-Lived Assets

We evaluate the possible impairment of our long-lived assets, including intangible assets. We review the recoverability of our long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. Evaluation of possible impairment is based on our ability to recover the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If the expected undiscounted pretax cash flows are less than the carrying amount of such asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying amount of the asset.

Accounting for Revenue

Service revenues are principally generated from laboratory testing services including chemical diagnostic tests such as blood analysis, urine analysis and genetic testing among others. Service revenues are recognized at the time the testing services are performed and are reported at their estimated net realizable amounts.

Service revenues before provision for bad debts are determined utilizing gross service revenues net of contractual adjustments and discounts. Even though it is the responsibility of the patient to pay for laboratory service bills, most individuals in the United States have an agreement with a third party payor such as Medicare, Medicaid or a commercial insurance provider to pay all or a portion of their healthcare expenses; the majority of services provided by BRLI are to patients covered under a third party payor contract. In certain cases, the individual has no insurance or does not provide insurance information and in other cases tests are performed under contract to a professional organization (such as physicians, hospitals, and clinics) which reimburse BRLI directly; in the remainder of the cases, BRLI is provided the third party billing information and seeks payment from the third party under the terms and conditions of the third party payor for health service providers like BRLI. Each of these third party payors may differ not only with regard to rates, but also with regard to terms and conditions of payment and providing coverage (reimbursement) for specific tests. Estimated revenues are established based on a series of highly complex procedures and judgments that require industry specific healthcare experience and an understanding of payor methods and trends. We review our calculations on a monthly basis in order to make certain that we are properly allowing for the uncollectable portion of our gross billings due to the contractual adjustments and discounts and that our estimates remain sensitive to variances and changes within our payor groups. The contractual allowance calculation is made on the basis of historical allowance rates for the various specific payor groups on a monthly basis with a greater weight being given to the most recent trends; this process is adjusted based on recent changes in underlying contract provisions and shifts in the testing being performed. This calculation is routinely analyzed by BRLI on the basis of actual allowances issued by payors and the actual payments made to determine what adjustments, if any, are needed. The table below shows the adjustments made to gross service revenues to arrive at net revenues, the amount reported on our statement of operations.

**($)**

| | Three Months Ended July 31, [Unaudited] | | Nine Months Ended July 31, [Unaudited] | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Gross Service Revenues | 1,100,880 | 905,713 | 3,028,379 | 2,565,929 |
| | | | | |
| Contractual Adjustments and Discounts: | | | | |
| Medicare/Medicaid Portion | 100,630 | 91,173 | 284,069 | 259,433 |
| All Other Third Party Payors* | 762,958 | 612,769 | 2,093,337 | 1,740,265 |
| Total Contractual Adjustments and Discounts | 863,588 | 703,942 | 2,377,406 | 1,999,698 |
| Service Revenues Net of Contractual Adjustments and Discounts | 237,292 | 201,771 | 650,973 | 566,231 |
| Patient Service Revenue Provision for Bad Debts** | 15,239 | 16,344 | 46,285 | 43,095 |
| Net Revenues | 222,053 | 185,427 | 604,688 | 523,136 |

* All Other Third Party and Direct Payors consists of almost eight hundred distinct payors, including commercial health insurers and administrators as well as professionally billed accounts such as physicians, hospitals, clinics and other direct billed accounts.

** Represents the amount of Bad Debt Expense that is required to be presented as a deduction from patient service revenue (net of contractual allowances and discounts) pursuant to ASU No. 2011-7.

When new business is received by BRLI, service revenues net of contractual adjustments and discounts are calculated by reducing gross service revenues by the estimated contractual allowance. The Patient Service Revenue Provision for Bad Debts represents the amount of bad debt expense expected to occur on patient service revenue based upon our experience. The remaining bad debt expense is presented as part of operating expenses. The bad debt expense presented as part of operating expense represents the bad debt expense related to receivables from service revenues determined after taking into account our ability to collect on such revenue.

BRLI recognized the amounts in subsequent periods for actual allowances/discounts to gross service revenue; bad debt may have been adjusted over the same periods of time to maintain an accurate balance between net revenues and actual revenues. Management has reviewed the allowances/discounts recognized in subsequent periods and believes the amounts to be immaterial. A number of proposals for legislation or regulation continue to be under discussion which could have the effect of substantially reducing Medicare reimbursements for clinical laboratories or introducing cost sharing to beneficiaries. Depending upon the nature of regulatory action, if any, which is taken and the content of legislation, if any, which is adopted, the Company could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on the Company. The Company is unable to predict, however, the extent to which such actions will be taken.

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It is typically the responsibility of the patient to pay for laboratory service bills. Most individuals in the United States have an agreement with a third party payor such as Medicare, Medicaid or commercial insurance to pay all or a portion of their healthcare expenses; this represents the major portion of payment for all services provided by BRLI. In certain cases, the individual has no insurance or does not provide insurance information; in the remainder of the cases, BRLI is provided the third party billing information, usually by the referring physician, and seeks payment from the third party under the terms and conditions of the third party payor for health service providers like BRLI. Each of these third party payors may differ not only with regard to rates, but also with regard to terms and conditions of payment and coverage of specific tests. BRLI routinely reviews the reimbursement policies and subsequent payments and collection rates from these different types of payors. Contractual adjustments and discounts are recorded as reductions to gross service revenues and are collectively referred to as the contractual allowance. BRLI has not been required to record an adjustment in a subsequent period related to revenue recorded in a prior period which was material in nature. Aging of accounts receivable is monitored by billing personnel and follow-up activities including collection efforts are conducted as necessary. BRLI writes off receivables against the allowance for doubtful accounts when they are deemed uncollectible. For client billing, accounts are written off when all reasonable collection efforts prove to be unsuccessful. Patient accounts, where the patient is directly responsible for all or a remainder portion of the account after partial payment or denial by a third party payor, are written off after the normal dunning cycle has occurred, although these may be subsequently transferred to a third party collection agency after being written off. Third party payor accounts are written off when they exceed the payer s timely filing limits. Accounts Receivable on the balance sheet is net of the following amounts for contractual credits and doubtful accounts:

| | ($) | |
|---|---|---|
| | [Unaudited] July 31, 2014 | October 31, 2013 |
| Contractual Credits/Discounts | 485,840 | 342,297 |
| Doubtful Accounts | 76,289 | 89,261 |
| Total Allowance | 562,129 | 431,558 |

**Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK [Not in Thousands]**

We do not invest in or trade instruments that are sensitive to market risk. We also do not have any material foreign operations or foreign sales so we have no exposure to foreign currency exchange rate risk.

We do have exposure to both rising and falling interest rates. At July 31, 2014, advances of approximately $37,731,000 under our Loan Agreement with PNC Bank were subject to interest charges at the bank s then prime rate of 3.50%.

We estimate that our monthly cash interest expense at July 31, 2014 was approximately $203,000 and that a one percentage point increase or decrease in short-term rates would increase or decrease our monthly interest expense by approximately $44,000.

**Item 4 CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, as to the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and our principal financial

officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC forms and rules, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

There have been no changes in our internal control over financial reporting during the fiscal quarter ended July 31, 2014 that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

**BIO-REFERENCE LABORATORIES, INC.**

**PART II OTHER INFORMATION**

**Item 1 Legal Proceedings**

Bio-Reference Laboratories, Inc. v. Horizon Healthcare Services, Inc. d/b/a Horizon Blue Cross Blue Shield of New Jersey

On December 18, 2013, the Company filed an action in the Superior Court of New Jersey against Horizon Blue Cross Blue Shield of New Jersey ( Horizon ), captioned Bio-Reference Laboratories, Inc. v. Horizon Healthcare Services, Inc. d/b/a Horizon Blue Cross Blue Shield of New Jersey, Docket No. BER L-009748-13 (N.J. Super. Ct. Bergen Cnty.). The Company has been an in-network provider to Horizon s preferred provider organization ( PPO ) members for more than 20 years and filed the lawsuit after attempts to resolve its dispute with Horizon were unsuccessful.

The Company currently provides services to Horizon pursuant to an Ancillary Services Provider Agreement entered into in 2003 and amended in 2007. The central claims in the lawsuit arise from the Company s performance of laboratory services since at least 2008 for members of Horizon s NJ DIRECT plan, who receive benefits under a program that Horizon has bid, promoted, and represented to be a PPO product for New Jersey state, county, and municipal workers and teachers. The lawsuit alleges that, despite these representations, Horizon has been improperly treating NJ DIRECT as a Managed Care program in its dealings with the Company, thereby costing the Company more than $20,000,000 in unreimbursed services and depriving state beneficiaries of valuable rights and benefits to which they are entitled. The lawsuit alleges that Horizon furthered its fraud against the Company by means of a sham Request for Proposal issued in 2011 and through false and incorrect communications to the Company and other providers. The Company asserts claims for breach of contract, breach of the implied covenant of good faith and fair dealing, and fraud against Horizon. In addition to compensatory damages, the Company seeks to recover punitive damages from Horizon due to Horizon s intentional and malicious misconduct. The Company also seeks declaratory and injunctive relief.

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On February 5, 2014, Horizon filed a motion to dismiss the complaint, which the Company opposed. On March 28, 2014, the Honorable Robert C. Wilson of the Superior Court of New Jersey issued an oral ruling denying Horizon s motion to dismiss without prejudice pending the completion of discovery. The Company and Horizon are conducting discovery, which is currently scheduled to close in mid 2015. The Company intends to vigorously prosecute its claims against Horizon.

University of Utah Research Foundation, et al. v. GeneDx, Inc., Civil Action No. 2:13cv00954 (D. Utah)

On October 16, 2013, Myriad Genetics, Inc., Endorecherche, Inc., HSC Research and Development Limited Partnership, Trustees of the University of Pennsylvania, and University of Utah Research Foundation ( Plaintiffs ) filed a complaint for patent infringement against GeneDx, Inc., a wholly-owned subsidiary of Bio-Reference Laboratories, Inc., in the United States District Court for the District of Utah, Central Division in Salt Lake City, Utah ( District of Utah litigation ). The complaint alleges that GeneDx offers laboratory services, including testing and analysis of BRCA1, BRCA2, and MUTYH genes, that infringe sixteen (16) U.S. Patents owned or controlled by the plaintiffs. Plaintiffs seek to recover damages, including enhanced damages, together with attorney s fees, interest, and costs. Plaintiffs also seek other relief, including enjoining GeneDx from continuing its allegedly infringing activity.

On December 9, 2013, GeneDx filed its answer, affirmative defenses, and counterclaims alleging, among other things, that the asserted patent claims are invalid, unenforceable, and/or not infringed.

Plaintiff Myriad and several of the other Plaintiffs have previously and subsequently filed complaints against other laboratories or have been named as defendants in declaratory judgment actions by certain laboratories. Those cases involve some of the patents and claims asserted against GeneDx. The parties involved in those cases who are adverse to Myriad et al are: Ambry Genetics Corp. (filed July 9, 2013, D. Utah); Gene by Gene, Ltd. (filed July 10, 2013, D. Utah); Counsyl, Inc. (filed September 20, 2013, N.D. Cal.); Quest Diagnostics Inc. (filed October 10, 2013, C.D. Cal.); Quest Diagnostics Inc. (filed October 22, 2013, D. Utah); Invitae Corp. (filed November 25, 2013, D. Utah); Invitae Corp. (filed November 26, 2013, N.D. Cal.); Laboratory Corporation of America Holdings (filed December 3, 2013, D. Utah); Counsyl, Inc. (filed June 13, 2014, D. Utah); and Pathway Genomics Corp. (filed June 13, 2014, D. Utah) (collectively Defendants ).

On November 8, 2013, Plaintiffs filed a motion with the Judicial Panel on Multidistrict Litigation requesting centralization and consolidation in the District of Utah of each of the outstanding district court actions. On February 19, 2014, following briefing and a hearing, the Panel ordered centralization in the District of Utah before District Court Judge Robert J. Shelby, including the action against GeneDx. The Court held an initial scheduling conference on April 25, 2014.

In the first-filed actions against Defendants Ambry Genetics Corp. and Gene by Gene, Ltd., on July 9 and July 10, 2013, respectively, Plaintiffs filed a motion for preliminary injunction with each complaint. The parties in each action provided the Court with briefing on the issues, as well as a technology tutorial on August 23, 2013, and the Court held multi-day hearings on the motion in September and October 2013. Prior to any decision, Plaintiffs and Defendant Gene by Gene entered a stipulated dismissal of that action on February 7, 2014. On March 10, 2014, the Court denied Plaintiffs request for a preliminary injunction against Defendant Ambry Genetics Corp.

Plaintiffs appealed that decision to the Court of Appeals for the Federal Circuit. Plaintiffs submitted their appeal brief on April 18, 2014 and Defendant Ambry Genetics Corp. submitted its appeal brief on June 2, 2014. Plaintiffs filed their reply appeal brief on June 13, 2014. Oral

argument has not yet been scheduled.

On August 18, 2014, GeneDx filed eleven petitions for *Inter Partes* Review ( IPR ) with the U.S. Patent and Trademark Office, challenging the validity of certain of the patents asserted against it in the District of Utah litigation. The eleven patents involved in these petitions are U.S. Patent Nos. 5,654,155; 5,753,441; 6,033,857; 6,051,379; 6,083,698; 6,951,721; 7,470,510; 7,563,571; 7,622,258; 7,670,776, and 7,838,237. IPR is a relatively new procedure established by the America Invents Act of 2011 as a means to challenge patentability at the U.S. Patent and Trademark Office; and these petitions are the first, and so far only, use of the IPR procedure by any of the Defendants in the Myriad cases.

**Item 6 EXHIBITS**

| | |
|---|---|
| 31.1 | Certification of Chief Executive Officer |
| 31.2 | Certification of Chief Financial Officer |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350 of Chief Executive Officer |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350 of Chief Financial Officer |
| 101 | Interactive Data File |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIO-REFERENCE LABORATORIES, INC.
(Registrant)

/S/ Marc D. Grodman M.D.
Marc D. Grodman, M.D.
President and Chief Executive Officer

/S/ Sam Singer
Sam Singer
Senior Vice President, Chief Financial and Chief Accounting Officer

Date: September 3, 2014